



Millennium Challenge Corporation

Reducing Poverty Through Growth

SUBJECT: Report on MCC Threshold Program

Purpose

The Millennium Challenge Corporation (MCC) submits this report on the current status of the MCC Threshold Program pursuant to Title II of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2006 (Pub. L. 109-102). This report identifies the countries selected as eligible to participate in the MCC Threshold Program, as well as their status, level of assistance proposed, description of the proposed programs, projects and activities, and the implementing agency or agencies for each country.

Background

The Threshold Program is designed to provide assistance to countries that are on the “threshold” of eligibility for a MCC Compact under the Millennium Challenge Act of 2003 (“MCA”), as measured by their performance on the MCA Compact eligibility criteria (“MCA selection criteria”). MCC’s Board of Directors selects as “Threshold Countries” MCA candidate countries that have demonstrated a significant commitment to improving their performance on the MCA selection criteria and meet many but not all of the relevant indicator targets. Threshold Program assistance may be provided to support policy, legal, and institutional reforms that address the specific policy weaknesses reflected by a Threshold Country’s indicator scores. To evaluate performance on the MCA selection criteria, MCC uses 16 third-party independent indicators (“MCA indicators”), which measure policies in three broad categories: Ruling Justly, Investing in People, and Encouraging Economic Freedom. Threshold programs are generally intended to last no more than two years. Threshold Countries selected to date are shown in the attached map (Annex 1).

MCC invites Threshold Countries to submit a Threshold Country Plan (“Plan”) in two phases. A Threshold Country is first required to submit Section I, which is a conceptual overview of the country’s vision of reform and the MCA indicators it proposes to address in its Plan. MCC evaluates the country’s proposed focus and gives the country comments and technical feedback from relevant U.S. Government agencies to help the country prepare Section II. A spreadsheet summarizing the complete process for Threshold Countries is attached at Annex 2. In the second phase, MCC asks the Threshold Country to submit Section II of the Plan, which should provide information on how the Government intends to implement the reforms, including program activities, performance objectives (inputs, outputs and outcomes), budget requirements, host-country contributions and other donor support. Section II should also identify the host government team specifically responsible for the program and provide information on probable implementing partners and an overview of donor coordination and consultations which the Government undertook during the development of the Plan. Guidance to Threshold Countries on how to develop a Plan is available on MCC’s website (www.mcc.gov) and is communicated to representatives of the Government during MCC visits to the country.

To inform Threshold Countries of the policies and actions that impacted their standing vis-à-vis the MCA selection criteria and to facilitate a dialogue about opportunities for policy reform under the Threshold Program, MCC provided Threshold Countries in fiscal year (FY) 2006 with an analysis, or diagnostic, of indicator performance. This analysis was derived from and was a synthesis of objective, third-party, nongovernmental data and information – generally from the institutions that create and manage the MCA indicators – and does not necessarily represent the views of MCC or the U.S. Government.

To date, the U.S. Agency for International Development (USAID) has been the lead implementing partner for the MCC Threshold Program. MCC will work with USAID and other U.S. Government agencies to determine the most appropriate implementing partner on a case-by-case basis for each program to ensure that Threshold programs are successfully implemented.

Threshold Country Status Overview:

One page summaries on the status of all Threshold Countries are attached at Annex 3.

Approved Threshold Programs:

Of the Threshold Countries selected in FY 2004 or FY 2005, five (Albania, Burkina Faso, Malawi, Paraguay, and Tanzania) have MCC Board-approved Threshold programs, and one (Zambia) is soon to have its request for Threshold Program assistance submitted to the MCC Board. With the exception of Burkina Faso, which is focused on improving girls' primary education completion rates, these Threshold Countries are focused on reforms that will help them to combat corruption in a broad range of sectors. These programs are described in Annex 3.

Completed Section I:

MCC received Section I of the Plans from all of the Threshold Countries first selected in FY 2006 (Indonesia, Jordan, the Kyrgyz Republic, Moldova, and Ukraine) by the February 15, 2006 deadline. Additionally, MCC has briefed the Threshold Country embassies, held interagency and donor consultations, and sent a team to each Threshold Country to discuss the MCC Threshold Program and review Section I of the country's Plan.

All but one of the FY 2004 and FY 2005 Threshold Countries have completed Concept Papers, the substantive equivalent to Section I.

Completed Section II:

For Threshold Countries initially selected in FY 2006, MCC established a due date of May 15, 2006, for submission of Section II of the Plans.

Remaining Countries:

East Timor and Sao Tome and Principe have submitted full Plans that are currently being revised at MCC's request. Yemen submitted a Plan but was suspended from the Threshold Program last fall due to a material decline in overall performance on the selection criteria for MCA Compact funding; MCC's review of the Plan is on hold. As of this writing, Guyana, the Philippines, and Uganda have yet to submit final Plans.

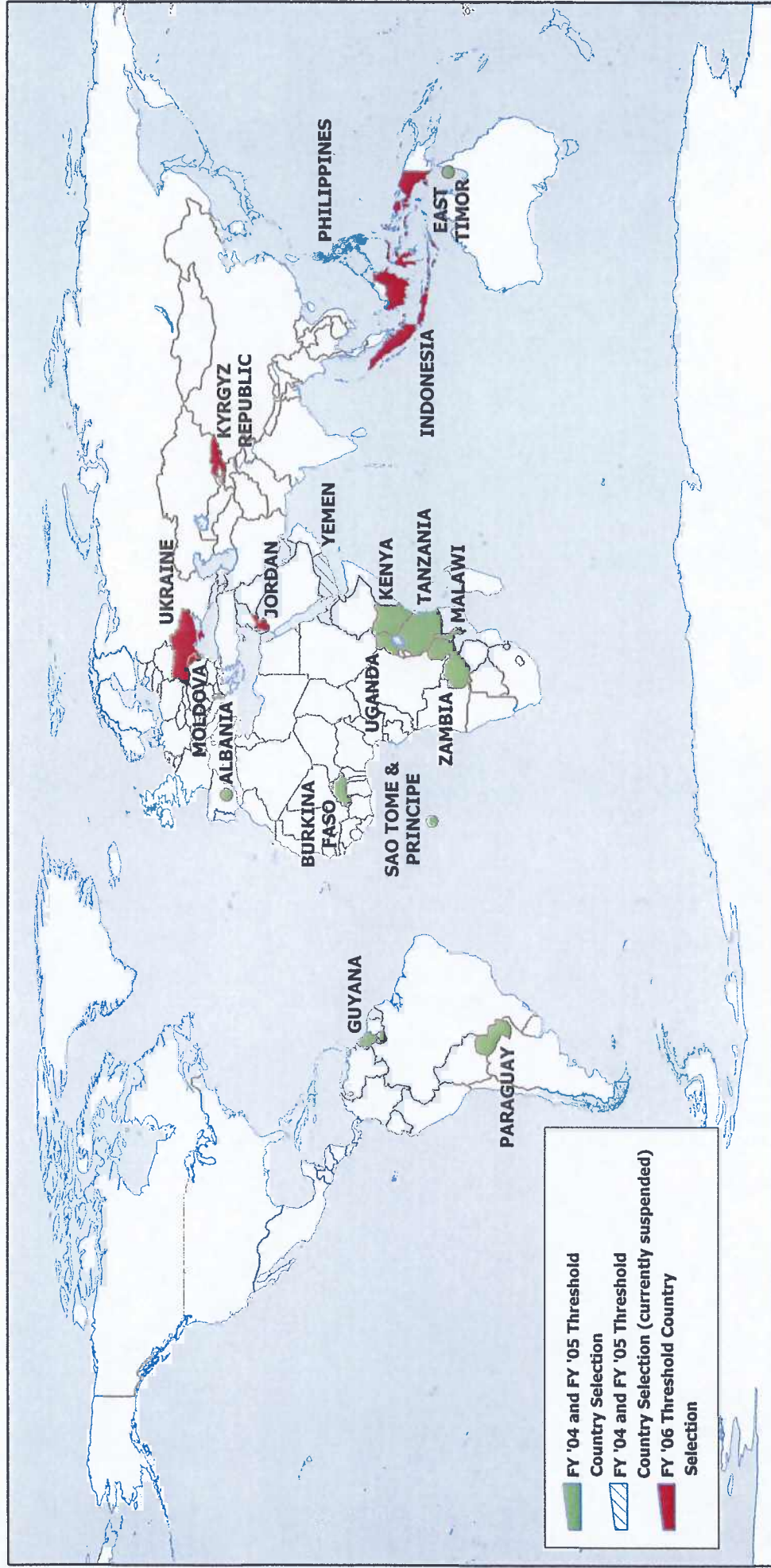
Attachments:

Annex 1: Map of all Threshold Countries

Annex 2: Threshold Program Process

Annex 1

MCC Threshold Countries



Annex 2

Threshold Program Process

<u>Country</u>	<u>Year Selected</u>	<u>Funding Level</u>	<u>Comprehensive Indicator Analysis</u>	<u>Donor Consultations</u>	<u>United States Government (USG) Consultations</u>	<u>Concept Paper/ Section I</u>	<u>USG Feedback</u>	<u>Revision **</u>	<u>Threshold Country Plan/ Section II</u>	<u>USG Feedback</u>	<u>Revision **</u>	<u>MCC Investment Committee Approval</u>	<u>Board Approval</u>	<u>Congressional Notification</u>	<u>Signing</u>	<u>Preliminary Implementation</u>	<u>Results</u>
Albania	FY04	\$13.9		√	√	√	√	N/A	√	√	√	√	√	√			
East Timor	FY04	\$5.6		√	√	√	√	N/A	√	√	In Process						
Kenya	FY04	\$12.0		√	√	√	√	√									
Sao Tome and Principe	FY04	\$4.0		√	√	√	√	N/A	√	√	In Process						
Tanzania	FY04	\$11.2		√	√	√	√	√	√	√	√	√	√	√			
Uganda	FY04	\$10.0		√	√	√	√	√	√ (draft)								
Yemen *	FY04	\$31.6		√	√	√	√	N/A	√								
Burkina Faso	FY05	\$12.9		√	√	√	√	N/A	√	√	N/A	√	√	√	√	√	
Guyana	FY05	\$11.5		√	√	√	√	√									
Malawi	FY05	\$20.9		√	√	√	√	N/A	√	√	N/A	√	√	√	√	√	
Paraguay	FY05	\$34.7		√	√	√	√	N/A	√	√	√	√	√	√			
Philippines	FY05	\$20.0		√	√	√	√	√									
Zambia	FY05	\$27.0		√	√	√	√	N/A	√	√	In Process						
Indonesia	FY06	\$50.0	√	√	√	√	In Process										
Jordan	FY06	\$25.0	√	√	√	√	In Process										
Kyrgyz Republic	FY06	\$15.0	√	√	√	√	√										
Moldova	FY06	\$21.5	√	√	√	√	In Process										
Ukraine	FY06	\$49.0	√	√	√	√	In Process										

* Yemen has been suspended from the Threshold Program due to a material decline in overall performance on the selection criteria for MCA Compact funding.

* * "N/A" (not applicable) applies to steps that were not required by MCC.